



USDA Foreign Agricultural Service

# GAIN Report

Global Agriculture Information Network

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## Indonesia

### Grain and Feed

### Rice Update

**2004**

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**Report Highlights:**

Continued excellent growing conditions have boosted prospects for rice output, which is now estimated at 54.3 million tons for 2004. With large carry-over stocks, expectations for another large crop, and continuation of the official policy to limit imports, the forecast for 2005 imports has been reduced to 1 million tons. Despite the recent increase in international prices, domestic prices remain remarkably stable, and import activity in contravention of the current ban remains minimal.

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Includes PSD Changes: Yes  
Includes Trade Matrix: No  
Unscheduled Report  
Jakarta [ID1]  
[ID]

## PS&amp;D Table

## PSD Table

Country Commodity	Indonesia Rice, Milled					
	(1000 HA)		(1000 MT)			
	2002 [Old]	Revised [New]	2003 [Old]	Estimate [New]	2004 [Old]	Forecast [New]
Market Year Begin		01/2003		01/2004		01/2005
Area Harvested	11500	11500	11700	11700	11750	11750
Beginning Stocks	4683	4683	4344	3993	3194	3817
Milled Production	33411	33411	34600	35024	34750	34991
Rough Production	51800	51800	53643	54300	53876	54250
MILLING RATE (.9999)	6450	6450	6450	6450	6450	6450
TOTAL Imports	2750	2400	800	800	1500	1000
Jan-Dec Imports	2750	2400	800	800	1500	1000
Jan-Dec Import U.S.	71	100	0	0	0	0
TOTAL SUPPLY	40844	40494	39744	39817	39444	39808
TOTAL Exports	0	1	0	0	0	0
Jan-Dec Exports	0	1	0	0	0	0
TOTAL Dom. Consumptic	36500	36500	36550	36000	36600	35850
Ending Stocks	4344	3993	3194	3817	2844	3958
TOTAL DISTRIBUTION	40844	40494	39744	39817	39444	39808

Note: Data in the "Old" column reflects FAS/W data. For Post's previous PS&D refer to Report ID4025.

## Production

Based on the most recent estimates, rice production for 2004 is expected to reach 54.3 million tons (35.0 million tons milled rice equivalent). While an increase in area is forecast, growing conditions in 2005 will unlikely be as optimal as those that prevailed in 2004. Thus, production in 2005 is forecast to be marginally lower than in 2004. The government has established a strategy to enhance production in the main producing areas (Java, South Sulawesi and North Sumatra), but the centerpiece of this strategy is to boost production through area expansion.

## Trade

The margin between local prices and world prices continues to limit attempts to contravene the import ban. Due to this reduced economic incentive, combined with stricter controls on illegal trading, smuggling remains unattractive to would be importers. Despite it being Ramadan when demand traditionally rises, plus the phase of the marketing year when supplies are generally beginning to decline, domestic prices have remained stable through the end of October. While the government can review monthly and then decide to remove the import ban, given the plentiful stock situation and stable prices, the ban is expected to continue until December 31, 2004. The new Ministers of Trade and Agriculture have yet to stake positions on rice import policy. Nonetheless, it is expected that in 2005 the ban will initially be implemented as in 2004: in place from Feb. 2005 through June 2005. With large carry-in stocks, expectations for another relatively abundant crop, and continuation of the import ban, import prospects for 2005 have been reduced to 1 million tons.

In an effort to cut the budget costs associated with storing their burgeoning stocks, Bulog is examining the possibility of exporting up to 50,000 tons to West Africa (Senegal and Nigeria). These shipments may take place in December 2004 until February 2005, but discussions are ongoing and no details have been finalized.

As stated above, at a time when prices are normally strengthening, rice prices in several cities are reportedly stable as markets in general have adequate supplies. In the late October, the average retail price of medium quality rice in Jakarta was about Rp. 3,340/kilogram (US\$ 371.1/ton at an average exchange rate of Rp.9,000/US\$ 1); in Bandung, West Java Rp. 2,700/kilogram (US\$ 300/ton); in Surabaya, East Java Rp. 2,600/kilogram (US\$ 288.9/MT); Semarang, Central Java Rp. 3,000/kilogram (US\$ 333.3/MT); in Medan, North Sumatra Rp. 2,900/kilogram (US\$ 322.2/MT).

### **Stocks**

Bulog purchases from local farmers have reached 2.2 million tons equivalent milled rice, surpassing their annual target of approximately 2 million tons. Bulog stock is reportedly over 1.8 million tons milled rice equivalent, sufficient to support Bulog's distribution for 9 months. Additional supplies from the recent harvest have resulted in plentiful pipeline stocks held by the market as well, as is indicated by the prevailing price stability.

### **Policy**

The most recently updated official statement on the rice import ban (Letter of Minister of Industry and Trade, Ref. No. 524/MPP/VIII/2004 dated August 19, 2004) stated that it would be extended until December 31, 2004. The letter stated that should there be any shortage before the deadline, the policy would be reviewed by all related institutions. Accordingly, as the policy now stands imports could begin January 1, 2005. However, as stated above, the ban will likely be started again on February 1, 2005.

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